

Rushenberg, Tim

From: Rushenberg, Tim
Sent: Tuesday, March 04, 2008 5:32 PM
To: 'Atherton, Thomas'; 'Shaw Friedman'
Cc: 'William H. Wendt'; rcdenne@comcast.net; 'rcdenne@gsb.uchicago.edu'; 'clmcdaniel@laportecounty.org'
Subject: DLGF/LaPorte County Assessment Analysis
Attachments: DLGF FINAL Laporte Co 2006 Ratio Study Using Bill.xls; DENNE Table 4 2006 LaPorte Ratio Study Analysis DLGF Summary Worksheet.xls; TEST # 4 County 2004 & 05 Sales Used.xls; EDD DLGF DATA CONVERSION of Denne gross values compared to county study.xls; TEST # 3 County 2005 06 SD.xls; Test # 2 Low ASR for 2004 05 Denne T4.xls; TEST # 1 Denne 2004 05 Hi Low.xls; DENNE RATIO STUDY DLFG CALC.xls; DENNE Table 4 SALED USED BY YEAR.xls; DENNE Table 3 2006 LaPorte Ratio Study Analysis DLGF Summary Worksheet.xls

Gentlemen,

Attached is the data analysis, including the ratio study we created from the 2006-pay-2007 tax billing/Auditor data. A memorandum from Everett Davis will follow in the morning, which will very briefly explain what he found in the attached analysis.

Very Respectfully,

Timothy J. Rushenberg
 General Counsel
 Indiana Department of Local Government Finance
 Indiana Government Center North
 100 North Senate Avenue N1058(B)
 Indianapolis, IN 46204
 Phone: (317) 232-3777
 Fax: (317) 232-8779

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3/5/2008

35

Rushenberg, Tim

From: Rushenberg, Tim
Sent: Wednesday, March 05, 2008 12:10 PM
To: 'Atherton, Thomas'; 'Shaw Friedman'
Cc: 'William H. Wendt'; rcdenne@comcast.net; 'rcdenne@gsb.uchicago.edu'; 'clmcdaniel@laportecounty.org'
Subject: LaPorte County analysis/public hearing

Gentlemen,

In accordance with the Commissioner's letter on December 21, 2007, the Department analyzed the data from the County and Mr. Denne. The results of that analysis was provided to both parties yesterday afternoon. Since its release, we've received comments alleging errors in the Department's analysis. We welcome this feedback and encourage both parties to notify us, via email, of any errors they believe they have found in the Department's analysis.

As a result of the questions raised about the Department's analysis, this analysis will not be released or disseminated at the public hearing or to any other persons until the questions about the analysis are addressed. This hearing will continue to serve as the opportunity for both parties to address the Denne ratio study and County's ratio study, and any other relevant information, which may affect the Department's decision on whether or not to order a reassessment of LaPorte County. The Commissioner is very interested in hearing the arguments of both sides about the two ratio studies.

Additionally, the Department will not be presenting its memorandum explaining its analysis until all of the submitted questions about the analysis are addressed. As stated above, the Department asks both parties to present their questions about the analysis to the Department via email at their earliest convenience. If the questions raised require a new Departmental analysis to be conducted, one will be done and there will be another opportunity for both parties to meet and discuss these results with the Department.

The Department's goal is to ensure uniform and equitable property assessments for the property taxpayers of LaPorte County. To do so requires a thorough analysis of the facts and data presented by both parties.

Very Respectfully,

Timothy J. Rushenberg
 General Counsel
 Indiana Department of Local Government Finance
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Indiana

Department of Local Government Finance

Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing

on the accuracy, uniformity, and equity of the assessment of real property in LaPorte County for 2006-pay-2007; with a particular emphasis on the sales-assessment ratio study conducted by analyst Robert C. Denne

Department of Local Government Finance

County Complex, Commissioners' Rooms, 809 State Street
LaPorte, Indiana
March 6, 2008 at 5:00 p.m.



Agenda

Public hearing will run from 5:00 p.m. – 8:00 p.m.

The order of the meeting will be:

- o Department introductions (3 minutes)
- o Department overview (15 minutes)
- o Presentation by LaPorte County Assessor or representative (15 minutes)
- o Presentation by Robert C. Denne/William H. Wendt or representative (15 minutes)
- o Rebuttal by LaPorte County Assessor or representative (10 minutes)
- o Surrebuttal by Robert C. Denne/William H. Wendt or representative (10 minutes)
- o Comments from any elected LaPorte County or township officials in attendance (each limited to 10 minutes)
- o Comments from members of the General Public (limited to LaPorte County residents or real property taxpayers of county)(each limited to 3 minutes)



Legal Authority

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



Indiana Code

- o IC 6-1.1-4-31 requires the Department to “periodically check the conduct of ... work required to be performed by local officials under 50 IAC 21” and “other property assessment activities in the county, as determined by the department.”
- o IC 6-1.1-35-1 requires the Department to “see that all property assessments are made in the manner provided by law.”
- o The Department is exercising its authority to check the work performed by LaPorte County assessing officials for 2006-pay-2007.



Questions

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



Questions

Question: Are the concerns about LaPorte County's assessments best left to existing appeals processes?

Response: Indiana Code section 6-1.1-15-1 permits a taxpayer to appeal to the county PTABOA the assessment of the taxpayer's property.

However, the concerns raised by the Denne ratio study calls into question the uniformity, equity, and accuracy of *all* assessments in LaPorte County.



Questions

Question: Why was the 2006-pay-2007 ratio study for LaPorte County previously approved by the Department?

Response: LaPorte County passed both analytical tests applied by the Department. However, the Denne ratio study has called into question the accuracy, uniformity, and equity of the assessments in LaPorte County and the Department's prior approval of the county's ratio study.



Possible Outcomes

- o Reassessment Ordered for 2006-pay-2007 and Conducted by the County (IC 6-1.1-4-9)
- o State-Conducted Reassessment (IC 6-1.1-4-31)
- o Rule in favor of the County – no reassessment



Comments & Questions

For more information about this public meeting and the subject matter to be discussed, LaPorte County Assessed Value Analysis, please visit

www.in.gov/dlgf/rates/reports.html

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
INDIANA GOVERNMENT CENTER NORTH



100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

SPEAKER SIGN-IN LIST **Local Officials**

Public Hearing – March 6, 2008
Denne Ratio Study/LaPorte County
LaPorte County Complex, Commissioners' Rooms

1. Goot Logwood
(NAME PRINTED/OFFICE)
403 Southmoor Rd. LaPorte, IN 219-324-3647
(ADDRESS/TELEPHONE #)
2. ~~Theo Boone Jr.~~
(NAME PRINTED/OFFICE)
~~Michigan City Area Schools C.F.O.~~
(ADDRESS/TELEPHONE #)
3. JOHN SCHAEFER
(NAME PRINTED/OFFICE)
CITY OF MICHIGAN CITY - CONTROLLER
(ADDRESS/TELEPHONE #)
4. CITY OF LAPORTE - MAYOR
(NAME PRINTED/OFFICE)
KATHY CHORACK
(ADDRESS/TELEPHONE #)

45.

TERESA SHUTER

(NAME PRINTED)

COUNTY AUDITOR

(ADDRESS/TELEPHONE #)

46.

Michael Bohacek

(NAME PRINTED)

County Commissioner

(ADDRESS/TELEPHONE #)

47.

Arlene Phillips

(NAME PRINTED)

120 Laurel St., LaPorte, In

325-0787

(ADDRESS/TELEPHONE #)

48.

~~Cary Kirkham LaPorte~~

(NAME PRINTED)

~~326-7649~~

~~1530 Michigan Ave~~

(ADDRESS/TELEPHONE #)

49.

~~Sharon Kirkham~~

(NAME PRINTED)

~~1530 Michigan Ave. LP~~

~~326-7649~~

(ADDRESS/TELEPHONE #)

50.

John MENDEL

(NAME PRINTED)

1508 LAKE SHORE

874-8692

(ADDRESS/TELEPHONE #)

DENNIS METHENY

COOLSPRING TWP TRUSTEE

CITIZENS

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
INDIANA GOVERNMENT CENTER NORTH



100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204

SPEAKER SIGN-IN LIST **Members of the Public**

Public Hearing – March 6, 2008
Denne Ratio Study/LaPorte County
LaPorte County Complex, County Commissioners' Rooms

1. FRED BROITMAN
(NAME PRINTED)

(ADDRESS/TELEPHONE #)

2. SHAWN KACEMANEK
(NAME PRINTED)

1535 LJB LB IN - 219-879-9386
(ADDRESS/TELEPHONE #)

3. MARK PHILLIPS
(NAME PRINTED)

916 LINCOLNWAY - LAPORTE
(ADDRESS/TELEPHONE #)

4. DAVID MASLOWSKI
(NAME PRINTED)

4707 Westgate 219 861-1236 mI city
(ADDRESS/TELEPHONE #)

5. Terri Brophy

(NAME PRINTED)

208 Lakeshore Drive M.C. 879-2023

(ADDRESS/TELEPHONE #)

6. JOHN LAUN

(NAME PRINTED)

Box 344 Kingsford Hts Ind 46346

(ADDRESS/TELEPHONE #)

(Union Twp)

7. KEITH SANDIN

(NAME PRINTED)

300 Hwy 212 Michigan City 219-874-5248

(ADDRESS/TELEPHONE #)

8. Beverly Quinn

(NAME PRINTED)

1512 LAKE SHORE DR. M.C. 219-879-9496

(ADDRESS/TELEPHONE #)

9. MIKE GONDER

(NAME PRINTED)

114 Bittersweet Trail - MC 219-874-3587

(ADDRESS/TELEPHONE #)

10. Bill Faccipanti

(NAME PRINTED)

904 Lakeshore Dr. Michigan City 873-1815

(ADDRESS/TELEPHONE #)

5. Lee Campbell

(NAME PRINTED/OFFICE)

Box 388 Wavatah 733-2282

(ADDRESS/TELEPHONE #)

6. JOHN SCHAFF

(NAME PRINTED/OFFICE)

618 E Coolspring Av Mich. City IN 878-9256

(ADDRESS/TELEPHONE #)

7.

(NAME PRINTED/OFFICE)

(ADDRESS/TELEPHONE #)

8.

(NAME PRINTED/OFFICE)

(ADDRESS/TELEPHONE #)

9.

(NAME PRINTED/OFFICE)

(ADDRESS/TELEPHONE #)

10.

(NAME PRINTED/OFFICE)

(ADDRESS/TELEPHONE #)

11.

~~ERRY McSTEEN~~

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

12.

MARTIN McFADDEN

(NAME PRINTED)

1810 Lake Shore 219 879-7794

(ADDRESS/TELEPHONE #)

13.

A LAM LANDING

(NAME PRINTED)

5982 W JOHNSON A LAR 325-3071

(ADDRESS/TELEPHONE #)

14.

PAUL A. PRZYBYLINSKI

(NAME PRINTED)

1716 Washington ST 219-874-4283

(ADDRESS/TELEPHONE #)

15.

BOB OTT

(NAME PRINTED)

2212 Southwest Rd La Porte 362-3365

(ADDRESS/TELEPHONE #)

16.

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

17.

Michael Conner

(NAME PRINTED)

112 Carter road

879-8496

(ADDRESS/TELEPHONE #)

18.

HARRY McSTEEN

(NAME PRINTED)

124 PRAIRIE ST. - Mich City

(ADDRESS/TELEPHONE #)

19.

Peter Szutewski

(NAME PRINTED)

208 Betwax Ln. - Mich City

(ADDRESS/TELEPHONE #)

20.

SAM HARNISH

(NAME PRINTED)

203 TRYON FARM LANE, MICHIGAN CITY

219

879-3265

(ADDRESS/TELEPHONE #)

21.

~~Carl Foywood~~

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

22. THOMAS LEFUPRECK

(NAME PRINTED)

217 TWILIGHT ~~THAT~~ DR 219 871 0977
(ADDRESS/TELEPHONE #)

23. WILLIAM C. TERPSTRA

(NAME PRINTED)

1954 LAKE SHORE DRIVE, MICHIGAN CITY

219-865-0950
PERMANENT: 240 INVERNESS
SCHEERENVILLE, IN 46375

(ADDRESS/TELEPHONE #)

24.

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

25.

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

26.

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

27.

(NAME PRINTED)

(ADDRESS/TELEPHONE #)

28. Beth N Tom
(NAME PRINTED)

(ADDRESS/TELEPHONE #)

29. Gry Kelter
(NAME PRINTED)

2702 W. 9505.
(ADDRESS/TELEPHONE #)

30. PETTIT, Josh
(NAME PRINTED)

407 Alexander St 219-325-0380
(ADDRESS/TELEPHONE #)

31. _____
(NAME PRINTED)

(ADDRESS/TELEPHONE #)

32. _____
(NAME PRINTED)

(ADDRESS/TELEPHONE #)

33. _____
(NAME PRINTED)

(ADDRESS/TELEPHONE #)

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

April 10, 2008

The Honorable Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, IN 46350

Mr. Shaw R. Friedman
Friedman & Associates P.C.
705 Lincolnway
LaPorte, IN 46350

Mr. Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Ms. McDaniel and Gentlemen:

This letter is to notify you of the results of the new ratio study created by the Department of Local Government Finance ("Department") from the 2006-pay-2007 tax billing/Auditor data submitted to the Department by LaPorte County, and the results of the Mann-Whitney test performed by the Department on the assessments for sold and unsold improved residential parcels for 2006-pay-2007 in LaPorte County. Based upon the results of the Department's analysis, there appears to be inequity in the assessments in some townships in LaPorte County.

First, as promised in our December 21, 2007 letter to both parties, the Department created a new ratio study. This ratio study was created using the final Nexus 2006-pay-2007 ratio study matched with the LaPorte County Auditor's tax billing file for 2006-pay-2007, which was submitted to the Department on or about December 3, 2007. The Department found that the assessed values on several of the parcels Nexus used in their 2006 ratio study did not match the assessed value billed by the LaPorte County Auditor. Also, the Department's new ratio study found the following non-conforming medians, CODs, and PRDs:

Springfield (improved residential) outside COD range; Noble (improved residential) outside PRD range; Galena (vacant residential) outside PRD range; Hanna (vacant residential) outside PRD range; Hudson (vacant residential) outside median, COD, and PRD ranges; Noble (vacant residential) outside PRD

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Mr. Shaw R. Friedman
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range; Scipio (vacant residential) outside PRD range; Springfield (vacant residential) outside PRD range; Center (improved commercial) outside PRD range; Michigan (improved commercial) outside PRD range; and LaPorte County, as a whole, (vacant commercial) outside COD range.

Second, to address the "sales chasing" allegations raised numerous times by Mr. Wendt, Mr. Atherton, and Mr. Denne, the Department conducted the Mann-Whitney test to determine whether there were significant differences between the assessments in sold and unsold improved residential parcels in LaPorte County. The Department's Mann-Whitney test revealed the likelihood that sold and unsold improved residential parcels were not treated equally in nine (9) of the nineteen (19) tested townships in LaPorte County.

The Mann-Whitney test is a recommended statistical measure by the International Association of Assessing Officers (IAAO) 1999 Standard on Ratio Studies (IAAO Standard) to determine whether there is horizontal equity between two (2) or more property groups; in other words, to check to see whether two or more property groups are appraised at the same percentage of market value. IAAO Standard 10.1 requires assessing officials to "ensure that sold and unsold parcels are treated equally." It further states that, "if unsold properties are not appraised consistently with sold properties and applicable guidelines, unadjusted sales ratio results cannot be used."

50 IAC 21-3-1 requires "local assessing officials" to perform "all ratio studies using the methods or combination of methods acceptable under the Standard on Ratio Studies published by the International Association of Assessing Officers (IAAO Standard) or other acceptable methods approved by the Department." Thus, by conducting the Mann-Whitney test, the Department is abiding by the IAAO Standard to determine whether sold and unsold improved residential parcels in LaPorte County were equally assessed.

IAAO Standard 10.2 states that, for example, if values for sold parcels in a given stratum increased an average of ten percent (10%) while values for unsold parcels in the same stratum increased an average of only two percent (2%), "sales chasing" probably exists. The Standard further states that, at a more sophisticated level, one can compare the distribution of value changes for sold and unsold parcels or use statistical tests to determine whether the distributions are different at a given level of confidence. IAAO Standard 10.3 recommends use of the Mann-Whitney test to determine whether differences are "significant." Based upon the results of the Department's Mann-Whitney test, sold and unsold improved residential parcels were not equally assessed in nine (9) LaPorte County townships for 2006-pay-2007.

Attached to this letter is the new ratio study created by the Department and the results of the Mann-Whitney test conducted by the Department. I believe it is critically important that all parties meet to discuss the findings and a possible resolution to this matter as soon as possible. As of this date, I am available to meet with both parties on the afternoon of Friday, April 11 and

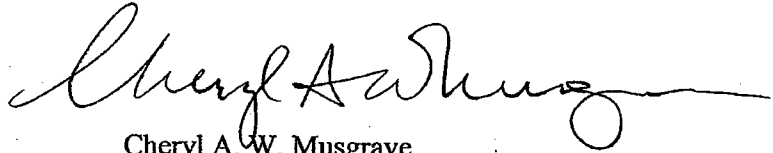
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in the afternoons of Monday, April 14, Tuesday, April 15, and Wednesday, April 16. I am hoping both parties will come to Indianapolis to discuss this matter with an open mind and fresh ideas to resolve this situation in LaPorte County in a timely manner.

Please call my assistant Linda Ebert at (317) 232-3775 or email her at liebert@dlgf.in.gov to let us know your earliest availability. It is my intention to have all of the interested parties gather together at the Department to discuss the results of the attached analyses.

If you have any other questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov.

Sincerely,



Cheryl A. W. Musgrave
Commissioner

Attachments:

1. Department's LaPorte Ratio Study, 2006-pay-2007 tax billing data, April 9, 2008 (3 pages)
2. Department's Mann-Whitney test results, April 9, 2008 (6 pages)

cc: Marilyn Meighen

Laporte
STUDY USING TAX BILL ASSESSED VALUES

Improved Residential	From Submitted Study										# of Years 2	From DLGF files	Sales Used / Parcels Yearly	
	Township	Group #	Median	DLGF Calculated Median	COD	DLGF Calculated COD	PRD	DLGF Calculated PRD	Sales Used	per year				# of Parcels
	Cass			98.48%		9.84		1.0045	28	14	546	0.028		
	Center			98.417%		10.53		1.0127	784	392	8484	0.046		
	Clinton			98.68%		6.85		1.0030	31	15.5	399	0.040		
	Crookshoop			101.63%		10.34		1.0237	188	94	4174	0.020		
	Dawey			101.64%		10.10		0.9952	42	11	344	0.032		
	Galena			101.28%		12.58		1.031	23	11.5	802	0.019		
	Hanna			102.51%		10.50		1.0181	8	314	81	0.025		
	Hudson			107.80%		11.95		1.0253	26	13	981	0.013		
	Johnson								2		34	0.029		
	Kankakee			103.56%		9.23		1.0052	74	37	1147	0.032		
	Lincoln			97.17%		8.26		1.0116	31	15.5	1838	0.008		
	Michigan			98.93%		7.04		1.0172	581	290.5	10732	0.027		
	New Durham			100.71%		9.67		1.0135	74	37	1120	0.033		
	Noble			100.80%		9.87		1.0378	18	9	472	0.019		
	Pleasant			100.49%		9.33		1.0058	89	43	1025	0.042		
	Prairie								0	0	26	0.000		
	Scipio			99.27%		8.44		1.0057	69	34.5	1283	0.027		
	Springfield			98.18%		17.75		1.0333	54	27	1288	0.021		
	Union			94.84%		10.52		1.0038	30	15	784	0.020		
	Washington			87.85%		7.39		1.0060	14	7	395	0.019		
	Wills			107.01%		5.35		1.0138	10	5	412	0.012		
	TOTALS GROUP								2141	1070.5	36360	0.028		

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Improved Commercial		From Submitted Study						# of Years	From DLGF Files	
Township	Group #	Median	DLGF Calculated Median	COD	DLGF Calculated COD	PRD	DLGF Calculated PRD	Sales Used	per year	# of Parcels
Cass								0	0	82
Center			99.49%		14.20		1.0418	48	24	845
Clinton								1	0.5	15
Cosapping			99.18%		12.00		0.9794	27	13.5	342
Dewey								0	0	34
Galena								0	0	16
Hanna								0	0	22
Hudson								0	0.5	25
Johnson								0	0	3
Kankakee								2	1	108
Lincoln								0	0	47
Michigan			99.54%		13.51		1.0910	73	36.5	655
New Durham								4	2	82
Noble								0	0	28
Pleasant								5	2.5	34
Prarie								1	0.5	0
Springfield								1	0.5	28
Union								1	0.5	46
Washington								1	0.5	19
Willis								0	0	36
TOTALS								186	83	2456
GROUP			100.00%		16.89		1.0293	17		

Vacant Commercial		From Submitted Study						# of Years	From DLGF Files	
Township	Group #	Median	DLGF Calculated Median	COD	DLGF Calculated COD	PRD	DLGF Calculated PRD	Sales Used	per year	# of Parcels
Cass								0	0	28
Center			73.45%		74.28		0.9889	5	1.8668667	427
Clinton								0	0	13
Cosapping								2	0.6668667	214
Dewey								0	0	17
Galena								0	0	24
Hanna								1	0	11
Hudson								1	0.3333333	16
Johnson								0	0	0
Kankakee								1	0.3333333	38
Lincoln								0	0	28
Michigan								2	0.8868667	528
New Durham								0	0	128
Noble								0	0	12
Pleasant								1	0.3333333	6
Prarie								0	0	0
Sapio								0	0	18
Springfield								0	0	134
Union								0	0	15
Washington								0	0	20
Willis								0	0	7
TOTALS								12	4	1742
Totals with Countywide			98.83%		3.64		0.9345	3		
GROUP (countywide)			98.95%		28.85		1.0186	11	1.6668667	

Improved Industrial		From Submitted Study						# of Years	From DLGF Files	
Township	Group #	Median	DLGF Calculated Median	COD	DLGF Calculated COD	PRD	DLGF Calculated PRD	Sales Used per year	# of Parcels	Sales Used / Parcels
Cass								0	7	0.000
Center								0	52	0.000
Clinton								0	1	0.000
Coaling								0	30	0.000
Dewey								0	2	0.000
Galea								0	0	0.000
Hanna								0	1	0.000
Hudson								0	0	0.000
Johnson								0	0	0.000
Kankakee								0	12	0.000
Lincoln								0	0	0.000
Michigan								0	119	0.000
New Durham								0	5	0.000
Noble								0	0	0.000
Pleasant								0	1	0.000
Prairie								0	0	0.000
Scipio								0	4	0.000
Springfield								0	4	0.000
Union								0	1	0.000
Washington								0	37	0.000
Wills								0	0	0.000
TOTALS								0	0	0.000
GROUP (countywide)			88.38%		1,678,925.21		15,878,168.1	0	276	0.000
GROUP								12		

Vacant Industrial		From Submitted Study						# of Years	From DLGF Files	
Township	Group #	Median	DLGF Calculated Median	COD	DLGF Calculated COD	PRD	DLGF Calculated PRD	Sales Used per year	# of Parcels	Sales Used / Parcels
Cass								0	3	0.000
Center								0	35	0.000
Clinton								0	5	0.000
Coaling								0	16	0.000
Dewey								0	0	0.000
Galea								0	1	0.000
Hanna								0	0	0.000
Hudson								0	0	0.000
Johnson								0	0	0.000
Kankakee								0	16	0.000
Lincoln								0	2	0.000
Michigan								0	213	0.000
New Durham								0	1	0.000
Noble								0	0	0.000
Pleasant								0	6	0.000
Prairie								0	0	0.000
Scipio								0	0	0.000
Springfield								0	1	0.000
Union								0	3	0.000
Washington								0	36	0.000
Wills								0	0	0.000
TOTALS								0	0	0.000
GROUP (countywide)								0	337	0.000
GROUP										

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3775
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INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058 (B)
INDIANAPOLIS, IN 46204

MEMORANDUM

TO: LaPorte County Assessor, Shaw Friedman, and Thomas Atherton

FROM: David Schwab, Assessment Division

DATE: April 10, 2008

SUBJECT: Evaluation of Horizontal Equity Between Sold and Unsold Parcels in LaPorte Co.

Summary

- An independent evaluation of LaPorte County reveals that in 9 out of 19 tested townships, sold residential-improved parcels were assessed differently than unsold residential-improved parcels.¹
- The townships at issue are: Center, Galena, Hanna, Kankakee, Michigan, New Durham, Scipio, Springfield, and Washington.
- With three exceptions, these results agree with the findings of Robert Denne published in "Sales Chasing in LaPorte County for Pay 2007 Assessments."
- These findings constitute a significant violation of the IAAO standard regarding horizontal equity in property assessment (1999 IAAO Standard on Ratio Studies, Standard 10); and thus, a violation of 50 IAC 21-3-1.

Method

This study compared the percentage change in assessed value for two groups of parcels in LaPorte County: (1) those parcels used in the original ratio study, and (2) all other parcels in the county which had not been sold since January 1, 2004². The comparison was done on the township level, and properties which were newly constructed or had changed in property class during the comparison years were not included. For expediency, only residential-improved properties were studied.

¹ The townships of Johnson and Prairie could not be tested due to a lack of sales data.

² The file with original ratio study data was "2006 LaPorte Ratio Study RESUBMITTED final 2_08_07 DLGF CALC.xls." The two other files were "2005_LaPorteParcels_AllOthers.xls" and "2006_LaPorteParcels_AllOthers.xls."

The data for this study was obtained from two sources: (1) the approved ratio study of LaPorte County, which included 2005 as well as 2006 assessed values for sold properties; and (2) two datasets from the Department listing the assessed value for 2005 and 2006 of all unsold properties in LaPorte County. The parcel identifiers for each unsold parcel were matched to one another for 2005 and 2006 to ensure that the increase in assessment was accurately measured. This matching was done by computer with zero tolerance for error; all parcels in either year with no matches were excluded from further analysis.

Once the parcels had been matched, the percentage change in assessed value for both sold and unsold properties was calculated on a township basis. The mean, 5% trimmed mean, and median of this percentage were also calculated for each township.

In addition, as per the manual *Mass Appraisal of Real Property* and the 1999 IAAO Standard on Ratio Studies, Standard 10.3, a Mann-Whitney test was conducted on sold and unsold properties in each township to determine whether horizontal equity had been violated³. The Mann-Whitney test is widely used to determine whether differences in two populations of data can be attributed solely to random chance. It is a non-parametric test, meaning that it gives valid results regardless of the underlying distribution of data, and it is a comparatively low power test, meaning that it overlooks subtle differences which more sensitive tests might pick up on. It is certainly an appropriate test to use in this situation.⁴

Findings

Table 1 presents the mean, trimmed mean, and median percentage change in assessed value by township. The left part of the table presents these figures for all unsold parcels. The center part of the table presents the figures for sold parcels, while the right part of the table presents the difference between the two sets of figures. Large differences within a township indicate that sold and unsold parcels may have been assessed differently.

Figure 1 presents the same information graphically by comparing the mean assessed value from Table 1 for sold and unsold parcels by township. Again, large differences within a township indicate that sold and unsold parcels may have been assessed differently.

Finally, to ensure that any observed differences are not the result of random error and that the parcels were in fact assessed differently, Table 2 presents the results of a township-level Mann-Whitney test. This test compares the changes in assessed value for both sold and unsold properties and determines the probability that this change is due to random error. This probability is expressed as a p-value between 0 and 1, with a p-value of 0 indicating there is 0% chance that the difference is due to random error, and a p-value of 1 indicating there is 100% chance that the difference is due to random error.

³ Gloudemans, Robert J. 1999. *Mass Appraisal of Real Property*. International Association of Assessing Officers. Chicago: p. 295.

⁴ All statistical calculations were done in R 2.6.2 for Windows XP. The null hypothesis in all cases was "no difference between the two groups."

It is customary to express the p-value in terms of statistical confidence. The confidence level for a given test is found by subtracting the p-value from 1 and expressing the result as a percentage. Thus, if the p-value is .01, then the confidence level is $(1 - .01 = 99\%)$. This level indicates how confident we are that the results of the test are correct. In general, confidence levels of 95% or higher (that is, 1 chance of out 20 that the test is wrong) indicate that the test is accurate. On Table 2, townships where we can be at least 95% confident that sold and unsold properties were assessed differently are highlighted.

Comparison with the Denne Study

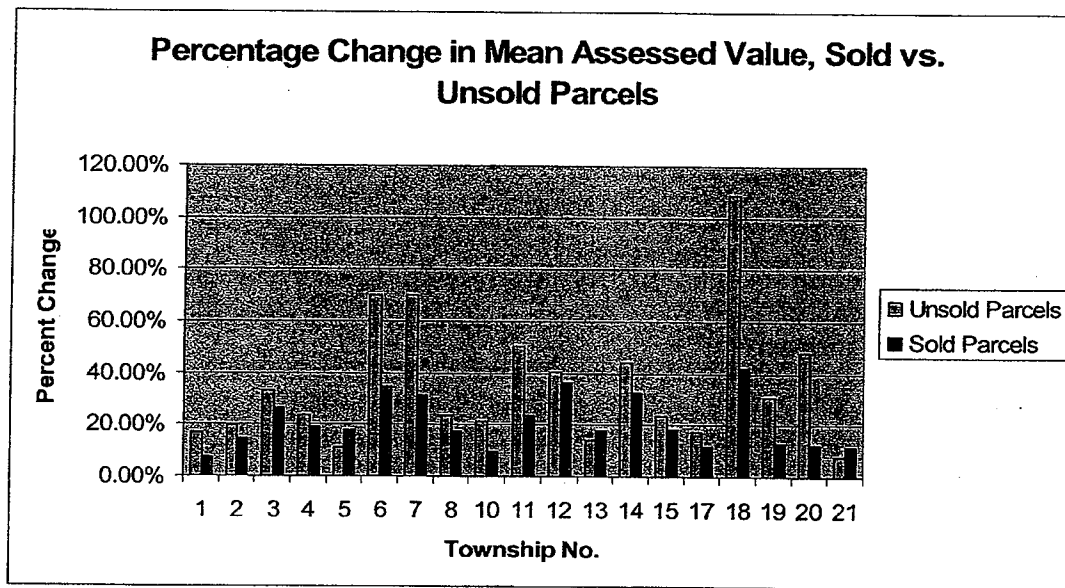
These results are very close to those reported by Robert Denne in his study "Sales Chasing in LaPorte County for Pay 2007 Assessments." Eight of the townships identified by Denne as having assessed sold and unsold properties differently—Center, Galena, Hanna, Kankakee, Michigan, Scipio, Springfield, and Washington—are also identified by this study.

In addition, although the Denne study does not identify New Durham Township as problematic, his confidence level for this township is 93.3%, which is very close to the 95% needed for statistical accuracy. The reverse occurs with Cass Township, which the Denne study calculates a confidence level of 95% while this study only finds 90%. These minor differences are probably the result of small differences in method and/or data between the two studies.

The one township where the two studies do not agree is Coolspring Township. Although the Denne study finds it problematic with 100% confidence, this study only records a 56.41% level of confidence that sold and unsold properties were treated differently. Further investigation is warranted to determine the source of this discrepancy.

Township	Mean	Trimmed Mean	Median	Mean	Trimmed Mean	Median	Mean	Trimmed Mean	Median
Cass	16.64%	16.64%	7.13%	7.38%	6.15%	5.08%	9.28%	10.49%	2.05%
Carter	19.69%	16.89%	8.78%	14.45%	13.15%	12.59%	5.24%	3.71%	-3.81%
Clinton	33.02%	33.02%	21.75%	26.32%	21.17%	20.83%	6.70%	11.85%	0.91%
Codspring	23.80%	20.28%	19.88%	19.02%	18.04%	15.73%	4.79%	2.23%	4.11%
Davey	10.99%	10.99%	-10.73%	18.08%	15.58%	11.69%	-7.12%	-4.60%	-22.42%
Galena	70.38%	67.52%	48.72%	34.87%	29.48%	22.17%	35.49%	38.08%	26.54%
Hanna	70.01%	70.01%	76.61%	31.43%	29.77%	27.11%	38.58%	40.24%	48.50%
Hudson	23.55%	23.55%	13.08%	17.49%	14.19%	11.89%	6.08%	9.38%	1.19%
Kankakee	21.39%	18.51%	12.82%	9.61%	7.68%	4.73%	11.78%	10.88%	8.09%
Lincoln	50.34%	50.34%	22.81%	23.45%	21.74%	15.78%	26.89%	28.60%	7.08%
Madison	40.62%	38.59%	23.88%	36.25%	33.59%	21.57%	4.37%	4.99%	2.29%
New Durham	13.88%	13.88%	13.44%	17.71%	17.07%	15.20%	-3.83%	-3.20%	-1.78%
Noble	44.48%	44.48%	31.10%	32.41%	30.60%	27.82%	12.08%	13.87%	3.28%
Pleasant	23.80%	21.55%	14.05%	18.51%	17.34%	16.07%	5.28%	4.24%	-2.02%
Sapiro	17.19%	16.97%	14.24%	11.64%	10.91%	10.74%	5.55%	6.08%	3.51%
Springfield	108.89%	96.29%	45.30%	41.88%	35.23%	18.07%	67.00%	61.02%	27.23%
Union	30.62%	29.71%	15.20%	12.73%	11.82%	9.09%	17.89%	17.89%	6.11%
Westington	48.38%	48.38%	25.90%	12.48%	11.18%	8.89%	35.88%	37.17%	17.01%
Wills	8.12%	8.12%	8.70%	11.87%	10.74%	8.98%	-3.75%	-2.61%	-0.25%

Table 1: Comparison of Percentage Changes in Assessed Values Between Sold and Unsold Parcels in Laporte County, By Township



Number	Township
1	Cass
2	Center
3	Clinton
4	Coolspring
5	Dewey
6	Galena
7	Hanna
8	Hudson
10	Kankakee
11	Lincoln
12	Michigan
13	New Durham
14	Noble
15	Pleasant
17	Scipio
18	Springfield
19	Union
20	Washington
21	Wills

Figure 1: Mean Percent Change in Assessed Value, Sold vs. Unsold Parcels

Township	Mann-Whitney p-value	Confidence Level
Cass	0.0974	90.26%
Center	0.0221	97.79%
Clinton	0.9104	8.96%
Coolspring	0.4359	56.41%
Dewey	0.5706	42.94%
Galena	0.0161	98.39%
Hanna	0.0000	100.00%
Hudson	0.9646	3.54%
Kankakee	0.0000	100.00%
Lincoln	0.5743	42.57%
Michigan	0.0287	97.13%
New Durham	0.0203	97.98%
Noble	0.1500	85.00%
Pleasant	0.3101	68.99%
Sapio	0.0022	99.78%
Springfield	0.0000	100.00%
Union	0.1418	85.82%
Washington	0.0094	99.06%
Wills	0.7303	26.97%

Table 2: Confidence Levels from Mann-Whitney Test, by Township

Rushenberg, Tim

From: Marilyn Meighen [meighenlaw@att.net]
Sent: Monday, April 14, 2008 9:55 AM
To: Rushenberg, Tim; Shaw Friedman; Shaw Friedman; Atherton, Thomas; clmcdaniel@LaPorteCounty.org
Cc: frank@nexustax.com; jeff@nexustax.com
Subject: RE: scheduling of mtg regarding DLGF analysis - LaPorte County

My last hearing in Bloomington begins at 2. I'll call when I'm close to Indy to see if the meeting is still in progress.

"Rushenberg, Tim" <trushenberg@dlgf.in.gov> wrote:

Wednesday after 3:30pm works for the DLGF.

Very Respectfully,

Timothy J. Rushenberg
General Counsel
Indiana Department of Local Government Finance

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-----Original Message-----

From: Shaw Friedman [mailto:res202o3@verizon.net]
Sent: Sunday, April 13, 2008 7:43 PM
To: Shaw Friedman; Shaw Friedman; Marilyn Meighen; Atherton, Thomas; clmcdaniel@LaPorteCounty.org; Rushenberg, Tim
Cc: frank@nexustax.com; jeff@nexustax.com
Subject: scheduling of mtg regarding DLGF analysis - LaPorte County

Tim,

I presume that Monday is now off. Are we back to looking at Wednesday? Because of the surgery required on a family member, Carol would not be able to join us that day, but it appears that Marilyn and the representatives of Nexus can join me then and we would have to brief Carol after any meeting. Please let us know as soon as possible so we can make appropriate arrangements.

Shaw

>From: "Rushenberg, Tim"
>Date: 2008/04/12 Sat PM 09:31:36 CDT
>To: "Atherton, Thomas" ,
Shaw Friedman ,
Shaw Friedman ,
Marilyn Meighen ,
clmcdaniel@LaPorteCounty.org
>Cc: frank@nexustax.com, jeff@nexustax.com
>Subject: RE: RE: DLGF Completed Analysis -- LaPorte County

>I'd prefer to have David Schwab, Terry Knee, and Everett Davis present to answer questions and explain our results.

>

>

>

>From: Atherton, Thomas [mailto:TAtherton@boselaw.com]
>Sent: Sat 4/12/2008 7:53 PM
>To: Shaw Friedman; Shaw Friedman; Marilyn Meighen; Atherton, Thomas;
clmcdaniel@LaPorteCounty.org; Rushenberg, Tim
>Cc: frank@nexustax.com; jeff@nexustax.com
>Subject: RE: RE: DLGF Completed Analysis -- LaPorte County

>

>

>

>The problem is not my schedule, it is that Mr. Denne cannot be there on Monday. Nexus has said through their attorney that they want to see the underlying data so they can have an in depth substantive conversation about the study. I assume that the county and Nexus plan on having Dr. Kelly present. Under those circumstances you can see why I want to have my statistician there. However, if all parties agree to only be represented by attorneys, Monday evening is fine with me.

>

>What is your preference? Lawyers only, or lawyers and statisticians?

>

>-----Original Message-----

>From: "Shaw Friedman"
>To: "Shaw Friedman" ; "Marilyn Meighen" ; "Atherton, Thomas"

5/23/2008

; "clmcdaniel@LaPorteCounty.org"
 ; "Rushenberg, Tim"

>Cc: "frank@nexustax.com" ; "jeff@nexustax.com"

>Sent: 4/12/08 12:47 PM

>Subject: Re: RE: DLGF Completed Analysis -- LaPorte County

>

>Why can this not occur late this coming Monday which apparently works for everyone at DLGF and LaPorte County? Tom: I would ask you again, when do you get back to Indianapolis? If you cannot be there, is there not someone else at Bose McKinney who can attend in your stead?

>

>Shaw Friedman

>

>

>

>>From: Marilyn Meighen

>>Date: 2008/04/12 Sat AM 10:48:33 CDT

>>To: "Rushenberg, Tim" ,

> "Atherton, Thomas" ,

> Shaw Friedman ,

> clmcdaniel@LaPorteCounty.org

>>Cc: jeff@nexustax.com, frank@nexustax.com

>>Subject: RE: DLGF Completed Analysis -- LaPorte County

>

>>Carol's Mom is going to be in the hospital on Wednesday. It looks like the upcoming week just can't be done. The only day open the next week for me is Wednesday, April 23.

>>

>>Marilyn Meighen wrote: My last hearing on Wednesday begins at 2. My notion is that the hearing will be over at around 3:30 or 4. I can be in your offices around 5.

>>"Rushenberg, Tim" wrote: Wednesday after 3:30pm works for DLGF; however, I know Marilyn has business Wednesday in Monroe County. I suppose that will depend on when she is able to break away and return to Indy. Friday is no good for the Commissioner.

>>

>>

>>

>>From: Atherton, Thomas [mailto:TAtherton@boselaw.com]

>>Sent: Sat 4/12/2008 9:09 AM

>>To: Marilyn Meighen; Rushenberg, Tim; TAtherton@boselaw.com; Shaw Friedman; clmcdaniel@LaPorteCounty.org

>>Cc: jeff@nexustax.com; frank@nexustax.com

>>Subject: RE: DLGF Completed Analysis -- LaPorte County

>>

>>

>>

>>I'm sorry that we cannot meet on Monday, even in the evening. I could be available in the evening, but I can't get Bob Denne here until

Tuesday. I know Tuesday is out for some people.

>>

>>We could be available on Wed. Or Friday.

>>

>>

>>Would either date work?

>>

>>-----Original Message-----

>>From: "Marilyn Meighen"

>>To: "Rushenberg, Tim" ;

"TAtherton@boselaw.com" ; "Shaw Friedman"

; "clmcdaniel@LaPorteCounty.org"

>>Cc: "jeff@nexustax.com" ; "frank@nexustax.com"

>>Sent: 4/11/08 8:24 PM

>>Subject: RE: DLGF Completed Analysis -- LaPorte County

>>

>>I just got back from Hamilton County business. Perhaps arrangements have been made for the meeting but I am not aware of them.

>>

>>Frank & Carol have PTABOA on Tuesday. I have hearings in Monroe County on Tuesday and Wednesday.

>>

>>Shaw will be in Indy Monday morning for other business and can meet that afternoon.

>>

>>I understand how difficult it is to get everyone together. I am certainly willing to meet on Monday anytime -- including an evening meeting if that works with Tom's schedule.

>>

>>On a related matter, we are certainly willing and appreciative of the chance to meet with the DLGF. With that said, I do not believe we can truly have in-depth, substantive conversation concerning the latest DLGF study without having the underlying data used for the ratio study and sales chasing analysis. I ask that you please provide this information.

>>

>>Thank you. I will see you whenever.

>>

>>

>>

>>"Rushenberg, Tim" wrote:

>>v\.* {behavior:url(#default#VML);} o\.* {behavior:url(#default#VML);}

w\.* {behavior:url(#default#VML);} .shape {behavior:url(#default#VML);}

st1\.* {behavior:url(#default#ieooui) } Marilyn,

>>

>>David Schwab, the employee who performed the Mann-Whitney test, is available on Tuesday, but not on Monday. Is there a time on Tuesday that works?

>>

>>Very Respectfully,

>>Timothy J. Rushenberg
 >>General Counsel
 >>Indiana Department of Local Government Finance
 >>

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>>From: Marilyn Meighen [mailto:meighenlaw@att.net]
 >>Sent: Thursday, April 10, 2008 9:34 PM
 >>To: Rushenberg, Tim; TAtherton@boselaw.com; Shaw Friedman; clmcdaniel@LaPorteCounty.org
 >>Cc: jeff@nexustax.com; frank@nexustax.com
 >>Subject: Re: DLGF Completed Analysis -- LaPorte County

>>

>>

>>Tim & Tom: Are you available to meet @ 2:30 on Monday at the DLGF offices. Please let us know if this is a good time and day.

>>

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>>"Rushenberg, Tim" wrote:

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>>Ms. McDaniel and Gentlemen:

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>>

>>Attached is a letter from Commissioner Musgrave with the results of two tests conducted by the Department. There is no decision or order issued in the letter, only an explanation of the results of the two tests. The Commissioner would like to discuss the results of the attached tests with the parties in person as soon as possible; preferably, tomorrow afternoon, Monday, Tuesday, or Wednesday.

>>

>>

>>

>>Very Respectfully,

>>

>>Timothy J. Rushenberg

>>General Counsel

>>Indiana Department of Local Government Finance

>>Indiana Government Center North

>>100 North Senate Avenue N1058(B)

>>Indianapolis, IN 46204

>>Phone: (317) 232-3777

>>Fax: (317) 232-8779

>>

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>>

>>

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Rushenberg, Tim

From: Shaw Friedman [sfriedman.associates@verizon.net]
Sent: Wednesday, April 23, 2008 1:45 PM
To: Michalak, Mary Jane; Atherton, Thomas
Cc: Rushenberg, Tim; marilyn meighen; frank@nexustax.com; Jeff Wuensch; McDaniel, Carol L; Musgrave, Cheryl
Subject: Re: Meeting Tomorrow - Conference Call

Mary Jane,

I will be able to participate in the phone conference call tomorrow at that time and would anticipate having County Assessor Carol McDaniel with me here in the office as well.

Shaw Friedman

----- Original Message -----

From: Michalak, Mary Jane
To: Shaw Friedman ; Atherton, Thomas
Cc: Rushenberg, Tim ; marilyn meighen ; frank@nexustax.com ; Jeff Wuensch ; McDaniel, Carol L ; Musgrave, Cheryl
Sent: Wednesday, April 23, 2008 12:36 PM
Subject: Meeting Tomorrow - Conference Call

All,

To stay on task and with the information that Dr. Kelly, Mr. Wuensch, Mr. Wendt, and Mr. Rushenberg will be unable to attend the meeting in person, the Commissioner would like to have a conference call tomorrow, Thursday, April 24 at 3:30 p.m. LaPorte time -- the time of the initial meeting to take place in LaPorte.

I can make the arrangements and e-mail confirmation back to all who would be attending via conference call. I need to know the number of individuals who will be phoning into the conference. As the telephone ports for conference calls are limited, the public would be unable to listen to the proceedings.

Please e-mail me back as soon as possible so I can make these arrangements.

Thank you,

Mary Jane Michalak
Director of Communications
Indiana Department of Local Government Finance
100 N. Senate, N-1058B
Indianapolis, IN 46204
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C: 317.670.7142
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